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C O N F I D E N T I A L SEOUL 001711

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TAGS: PGOV PREL KS ECON KN

SUBJECT: LEE MYUNG-BAK: SMOOTH SAILING TILL DECEMBER?

REF: A. SEOUL 1418  
¶B. SEOUL 975

Classified By: Alexander Vershbow. Reasons 1.4 (b,d).

¶11. (C) SUMMARY: In a June 4 meeting, the Ambassador and GNP presidential front-runner Lee Myung-bak discussed North Korea, the December elections, and the FTA. Lee also asked the Ambassador to help set up a meeting with Secretary Rice during his scheduled June 11-14 trip to Washington D.C. Lee said he feared the progressives would try to make North Korea a key issue in the presidential elections even though most South Koreans were not as concerned over security issues as they were over the economy. Lee noted that the North had to denuclearize in order to reap the benefits of his proposed assistance to improve the DPRK's economy. He said that North Korea would try to influence the election, and that Kim Jong-il and Kim Dae-jung were the two who most wanted to keep the GNP out of the Blue House. On the FTA, Lee said the U.S. decision to keep rice out of the KORUS FTA would be a great help toward ratifying the agreement in Korea. He noted, however, that it might be difficult to ratify the agreement before the December elections. If the GNP won, Lee said, it would mean better relations with the U.S. and a more advanced, globalized Korea. END SUMMARY.

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NORTH KOREA'S IMPACT ON 2007 ELECTION  
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¶12. (C) Former Mayor Lee Myung-bak told the Ambassador on June 4 that North Korea would have a big impact on the 2007 presidential elections. Recently, a North Korean press release noted that Lee was a "puppet of the U.S." and, if Lee won the election, it would lead to war. Since former President Kim Dae-jung (DJ) and Kim Jong-il had the most to fear from a Grand National Party (GNP) administration, they would actively support any progressive candidate while President Roh Moo-hyun would also work to keep the GNP out of office. Lee said that many progressive lawmakers had recently gone to North Korea and delivered the same message to the North: that a GNP president would decrease stability on the Peninsula. Several months ago, Lee sent a representative to meet with a high-ranking DPRK official and explain Lee's "3000 Unification Plan" (Ref A, a plan to raise DPRK per capita GDP to USD 3000). Since that time, the North has requested further details about the plan; so, despite recent critiques, Lee was not convinced the North was determined to undermine his candidacy.

¶ 13. (C) The Ambassador asked if Lee thought Kim Jong-il was preparing some bold initiative to present to the ROK to move inter-Korean relations forward and influence the elections. Lee said that since Roh wanted a North-South summit so badly, Kim Jong-il would make outrageous demands to which Roh might accede. Despite the desire for a summit that Roh's advisors have clearly communicated to the North, there has been no positive response from Kim Jong-il. Lee surmised this might indicate Kim Jong-il expects the GNP to win the presidential election, and in that case, he knows he should not make too many deals with the current president. Lee said that DPRK officials consistently ask South Korean delegations what South Korea would be like with Lee as president.

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PRESIDENTIAL ELECTION CAMPAIGN  
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¶ 14. (C) Lee said this year's campaign marked the first time the GNP has had a series of policy debates and an open primary (Ref B). The debate series favored the trailing candidates. Lee noted that the Roh government hoped Park Geun-hye would become the GNP candidate since Roh thought any progressive candidate could defeat her in the general election. Lee said he would refrain from attacking Park in the primary campaign and would not release information he had on Park. Since he was the frontrunner, he should remain "gentlemanly" toward Park. Lee said that there would be lots of negative attacks on him from Park and from the progressives, but he was not worried. The campaign structure was seven people versus him - Roh, DJ, Kim Jong-il and the GNP candidates all together against his candidacy.

¶ 15. (C) Lee said the ROK was at a crucial crossroads. If the GNP took power in 2008, it would not only improve ROK-U.S. relations but lead to a change in Korea's national identity. Korea could become a more advanced, globalized country under the GNP, or move further toward a more pro-North, pro-China identity under another progressive regime. Lee noted that the ROK had to improve economically in order to be ready for eventual unification and the next administration should focus on social welfare and decreasing the gap between the rich and poor.

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PROGRESSIVES  
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¶ 16. (C) Former President Kim Dae-jung (DJ) wants a single progressive candidate and so does President Roh, Lee claimed, but each wanted their own candidate so it might be difficult for the progressives to unite. For example, DJ supported former Gyeonggi Governor (and GNP defector) Sohn Hak-kyu, but Roh could never support Sohn due to personal differences. So there could be two progressive candidates. The only sure thing, Lee said, was that the GNP would field one candidate. Since the Democratic Labor Party would also field a candidate, there could be three progressive candidates, Lee said.

¶ 17. (C) Lee said Roh will try to emphasize that the progressives would support peace and a GNP candidate would upset the "peace mood" Roh hoped to create on the Peninsula this summer and fall with a summit and other "shows." Roh also hoped to focus the campaign on North-South issues rather than on the economy. Normal citizens were not deeply interested in North Korea or security issues -- they simply wanted to live a better life. Lee said both DJ and Roh thought the strategies that got them elected could result in another progressive administration. But the Korean electorate had changed a lot since 2002, Lee said, and their old strategies would likely prove ineffective.

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REGIONALISM  
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¶ 8. (C) In response to the Ambassador's query about the effect regionalism would have on the upcoming election, Lee said he maintained a 25-30 percent support rating in the southwestern Jeolla Provinces. Lee asserted that the era of any candidate receiving 90 percent support in Jeolla was over and if he received 20 percent in December, that would assure victory for him.

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BDA  
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¶ 9. (C) Lee asked why the Banco Delta Asia (BDA) problem had not been solved. The Ambassador noted that BDA had, in a sense, been solved since North Korea could retrieve its money since the accounts were unblocked on April 10. But North Korea was insisting on a wire transfer and this was proving difficult given other banks' reluctance to handle tainted funds. Lee wished the U.S. good luck, saying that he hoped the BDA funds issue would be over soon and the Six-Party Talks would succeed in denuclearizing North Korea while the Ambassador was in Korea. The Ambassador said it was unnatural to have a continued state of crisis in Northeast Asia and this situation could lead to a regional arms race. Until North Korea denuclearizes, it would be difficult to give much assistance to the DPRK to overcome its economic differences. Lee said that the North Korean nuclear problem should be solved through close cooperation by the ROK with China and the U.S.

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MYSTERIOUS AID TO THE NORTH?  
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¶ 10. (C) Lee noted that if North Korea did not receive rice aid soon, the people would suffer. He also noted that there were many trucks going into North Korea from Gangwon Province and no one was sure of the contents. According to Gangwon citizens Lee met recently, the trucks going North were well covered. If the trucks were carrying construction materials for Mt. Geumgang as reported, there would be no reason to obscure the contents. Many Gangwon residents distrust the Roh administration and therefore were suspicious of the cargo.

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JUNE 2 SPEECH  
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¶ 11. (C) Lee said he was shocked by President Roh's four-hour speech on June 2 in front of 1000 of his supporters and was worried about the impression foreign observers would have of South Korea after viewing the speech. Roh's explicit comments about presidential candidates and his statement that "the thought of the GNP winning makes me shudder in horror" were in violation of election law. Lee said the tirade, in which Roh criticized all the presidential candidates except those loyal to him, would serve to unite his ardent supporters.

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VIRGINIA TECH TRAGEDY  
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¶ 12. (C) Lee noted that anti-Americanism would not be an issue in this year's election thanks in part to changed perceptions in Korea. The U.S. public reaction to the tragic incident at Virginia Tech taught Koreans much about America -- Koreans expected a backlash against Koreans and Korean-Americans, but Americans did not consider the Korean-American student who committed the murders to be representative of Korea or Koreans. The fact that Americans thought of the Korean-American shooter as one unfortunate psychopath rather than blaming Korea or Koreans was fortunate. The Ambassador agreed that the U.S. people handled the situation well and said that in the U.S. we think of individual responsibility first.

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FTA  
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¶13. (C) The Ambassador explained that some clarifications were needed to the KORUS FTA chapters on labor and environment, but that the clarifications would in no way change the balance of the agreement. He added he hoped Korea would ratify the FTA before the December election. Lee agreed that the FTA should be ratified, but noted that if the ratification process were too close to the December election, anti-American, anti-FTA sentiment could become an election issue. Former Mayor Lee noted he was concerned the U.S. ratification process might be delayed until 2008. Lee cautioned that while most GNP lawmakers were pro-FTA, even some conservative lawmakers from rural districts might be hard-pressed by their constituents to vote against the FTA. Koreans were very emotional; while this contributed to Korea's dynamism, it also could cause difficulty for the FTA. For example, one insignificant bone chip in a large beef shipment can become a national issue.

¶14. (C) For a few beef or tangerine producers, Korea should not abandon the KORUS FTA, Lee said. The FTA will benefit all Korean consumers and create cheaper goods for all. The government has a responsibility to act in the interest of all Koreans. Lee joked that the emphasis on saving Korean beef was already water under the bridge since Korean beef was not really Korean since the cows eat U.S. feed. Excluding rice from the KORUS FTA was very positive and would help ratification in Korea.

¶15. (C) Lee said he oversaw Hyundai's production of the Pony, the first Korean car exported to the U.S., and said that he owed his success to the open U.S. market. If the U.S. had not been open to Korean cars in the late 1970s, Korea would not have developed as it did, Lee said. That said, Lee expressed concern that Japanese cars assembled in the U.S. could come to Korea and cause problems in the Korean auto market. The Ambassador downplayed this concern, noting that there was sufficient demand for Japanese cars in the U.S. so there would likely be no need for Japanese producers to export cars from the U.S. to Korea. It was important, however, for Korea to live up to its commitment to open the Korean market to U.S. auto imports.

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OVERSEAS TRAVEL  
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¶16. (C) Lee said he hoped to travel to China and Russia before the December election. But before that, he felt he should go to the U.S., so he decided to go to Washington June 11-14. Lee requested a meeting with Secretary Rice, and indicated he may participate in a portion of the June 13-14 meeting of the U.S. Korea Business Council. (He subsequently cancelled his planned trip).

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COMMENT  
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¶17. (C) Lee Myung-bak is confident and has the swagger, the money and the organization of a front-runner. Many GNP and even some progressives have joined Lee's camp because of his commanding lead. However, there is no such thing as a sure bet in Korean politics. While Lee has a commanding lead, a landmark achievement in the heart of Seoul in the Cheonggye Stream, and a solid background as a politician and CEO, he may have overreached with his canal project. If Park or the progressives can convince people the canal project is far-fetched, old-fashioned or environmentally unwise, Lee's support could shrink. For now, at least, he is widely perceived as the man who could bring Korea to advanced-nation status and revitalize the economy.

VERSHBOW